

**Alaskan Way Viaduct and  
Seawall Replacement Project**

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**SR 520 Bridge Replacement  
and HOV Project**

**Draft Funding Plans**



**June 22, 2006**



**Washington State  
Department of Transportation**

# The ERP's Charge



- Given what we know today:
  - Determine if appropriate assumptions have been made and critical actions identified
  - Determine whether the Viaduct and SR 520 finance plans are reasonable and sufficient
  - Determine whether project staff are using appropriate processes.

# What Can We Know At This Stage?



- Have we identified the uses? Have we identified the right sources?
- Have we identified the critical actions or commitments from other parties for success?
- Is our approach sound, given the early stage of the process?
- Have we incorporated enough flexibility to adjust and have the plan remain feasible?

# Why Aren't These Plans Typical?



- Typical megaproject finance plans deal with funding at the project level. Many of the major funding sources for these two projects are being bonded at the programmatic level.
- Complete finance plans are typically in place before construction begins. With these two projects, what you see today is a preview. Key decisions have yet to be made.

# What are the Uses (Needs)?



- For the purpose of these funding plans, we assumed specific project alternatives
  - Viaduct: core tunnel and core elevated alternatives
  - SR 520 Bridge: 4 and 6 lane alternatives
  - When “final” finance plans are written, we will know which alternative is preferred, when it will be built, and how it will be financed.
- Cost estimates are based on 2005 90% CEVP figures. CEVPs assumed funding was available as needed.

# What are the Sources?



- Because the Viaduct and SR 520 are too costly to be financed by a single source, we assume funding will come from multiple funding sources.
- We have identified sources and have estimated ranges of potential contributions.
- By August 2006, some funding sources will be certain and some uncertain as to amount and timing.

# How are sources categorized?



- **Secured funding**

- Sources have been appropriated. There may be some risk, but that risk is considered insubstantial.

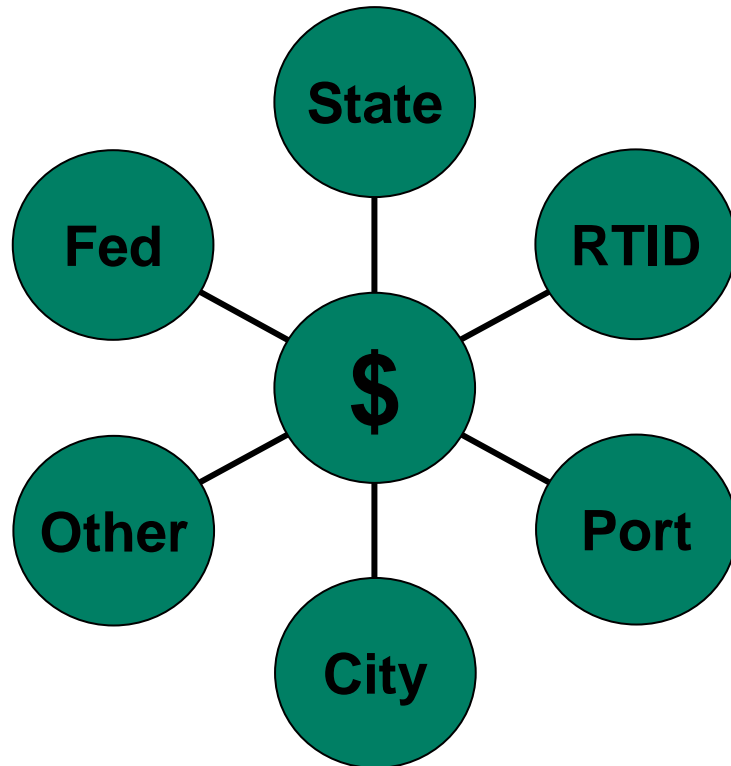
- **Anticipated funding**

- Project Stakeholders are confident that funding will be raised within identified ranges. There is some risk if economic or political changes occur.

- **Other funding**

- These are candidate funding sources for which project stakeholders cannot currently estimate whether, how much or when.

# Who can provide project funding?



- Federal Government
- State of Washington
- Regional Entities
- City of Seattle
- Port of Seattle
- Other



# Federal Transportation Funding

## Highway

- Federal highway act “SAFETEA-LU” passed in 2005. Reauthorization is scheduled for 2011.
- Federal funding is based primarily on federal gas taxes.
- Approximately 91 cents of each dollar raised returns to the state.

## Other

- FTA is contributing to light rail construction.
- Army Corps of Engineers may contribute to seawall reconstruction.



## How Does The Viaduct Fit Into The Federal Funding Picture?

- SAFETEA-LU earmarks totaling \$231 million were unusually high, demonstrating strong federal commitment.
- In addition, the Viaduct received TEA-21 appropriations in 2003 and 2004.
- Other anticipated federal sources include Federal Emergency Relief and Water Resources Development Act (Army Corps of Engineers).



# Federal Investment in the Viaduct

## Viaduct Secured Contributions

- TEA-21 Annual appropriations and formula funds (\$19 M)
- SAFETEA-LU earmarks totaling \$231 M, subject to est. 15% takedown (\$198 M)
- Total:  $\$19 + 198 = \$217$  M

## Viaduct Anticipated Contributions

- Reauthorization acts (range \$0-280 M over 2 acts)
- Federal Emergency Relief (\$32-60 M)
- Army Corps of Engineers – WRDA (\$0-200 M)

## Viaduct Other Contributions

- None at this time

# How Does SR 520 Fit Into The Federal Funding Picture?



- Because the SR 520 exhibits similar structural vulnerabilities as the Viaduct, WSDOT anticipates some funding in the next federal transportation act.

# Federal Investment in SR 520



## SR 520 Secured Contributions

- Total: \$0

## SR 520 Anticipated Contribution

- SAFETEA-LU Annual Appropriations
- Reauthorization acts (range \$10-40 M over 2 acts)

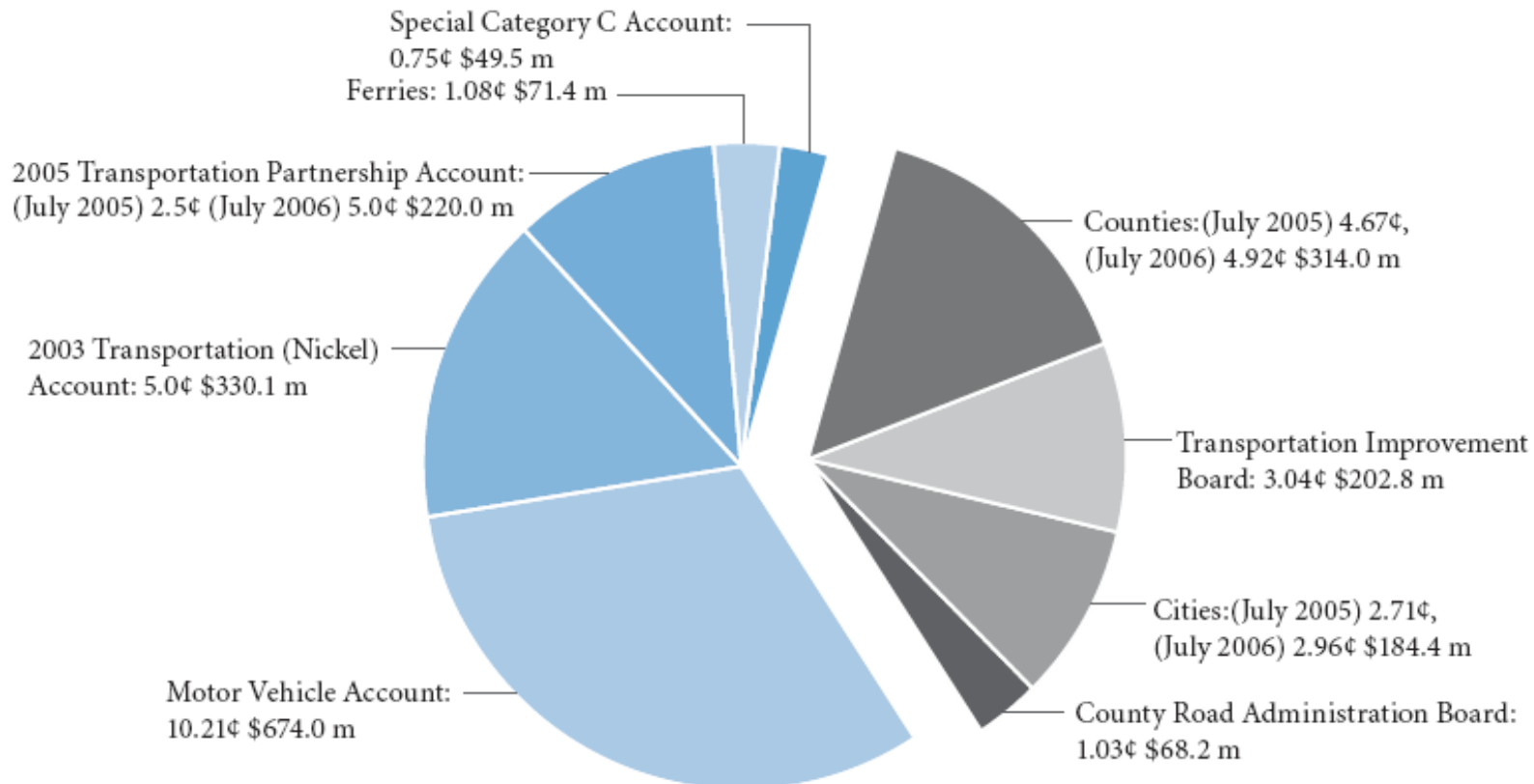
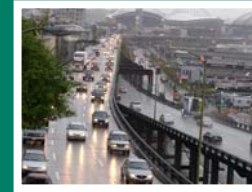
## SR 520 Other Contribution

- None at this time

# State Transportation Funding

- State highway funding is based primarily on gas taxes.
- Gas tax revenues are protected by the state's constitution: they must be spent for "highway purposes."
- The two most recent gas tax increases have been tied to specific improvement projects, including the Viaduct & SR 520.

# Washington's 2005-2007 Gas Tax



# State Funding Assumptions

- Nickel and TPA project amounts are subject to biennial appropriations.
  - For this study, we assume the projects will get their full amounts as proposed in 2003 and 2005, respectively.
  - Critical action: legislature must make biennial appropriations.
- State transportation funding is subject to repeal through voter initiatives.
  - In November 2005 by a 55-45 margin, voters upheld the gas tax increase associated with the TPA list of projects.
  - In November 2006, voters may have the opportunity to repeal the weight fees associated with TPA.
  - For this study, we assume the voters will uphold the weight fees.





# State Commitment to the Viaduct

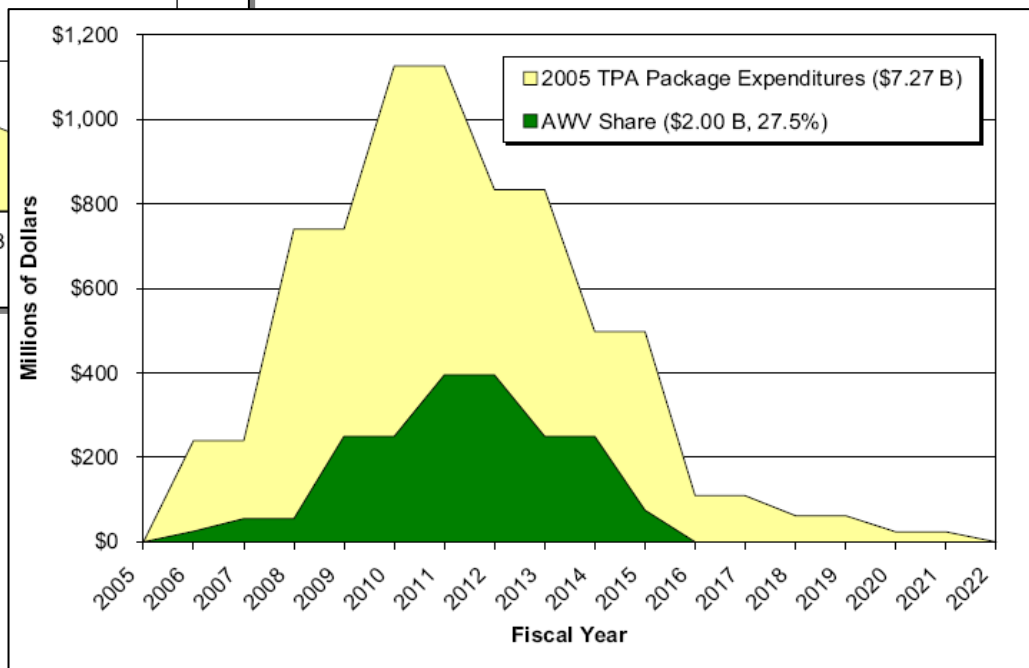
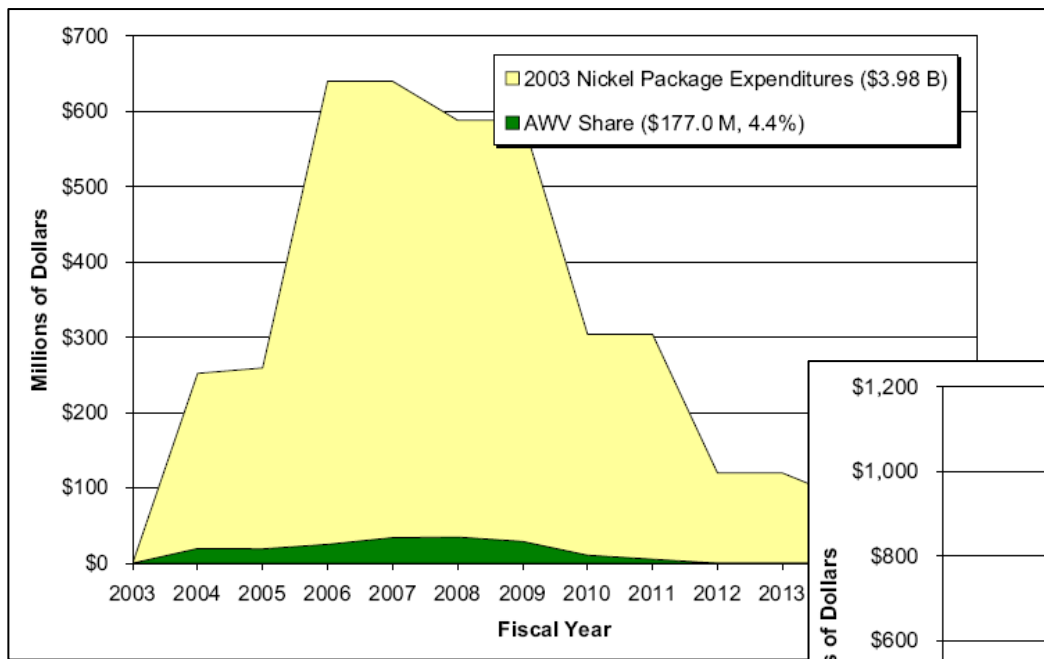


- 2003 and 2005 state allocations totaling \$2.2 billion were unusually high, demonstrating strong state commitment.
- “Let’s face it, the main thing driving this [2005 gas tax package] is the viaduct and [520] bridge...two major thoroughfares that could fall down. It’s not a matter of if, but when.”

– *Senator Mary Margaret Haugen, Chair, Senate Transportation Committee*



# Viaduct Funding as Proportion of Nickel & TPA Packages





# State Investment in the Viaduct

## Viaduct Secured Contributions

- Various “pre-existing funding”
- 2003 Nickel package
- 2005 TPA package
- Total:  $\$4+177+2,000 \text{ M} = \$2,181 \text{ M}$

## Viaduct Anticipated Contributions

- Rebate of state sales tax on construction (see regional section)

## Viaduct Other Contributions

- None at this time

# State Commitment to SR 520



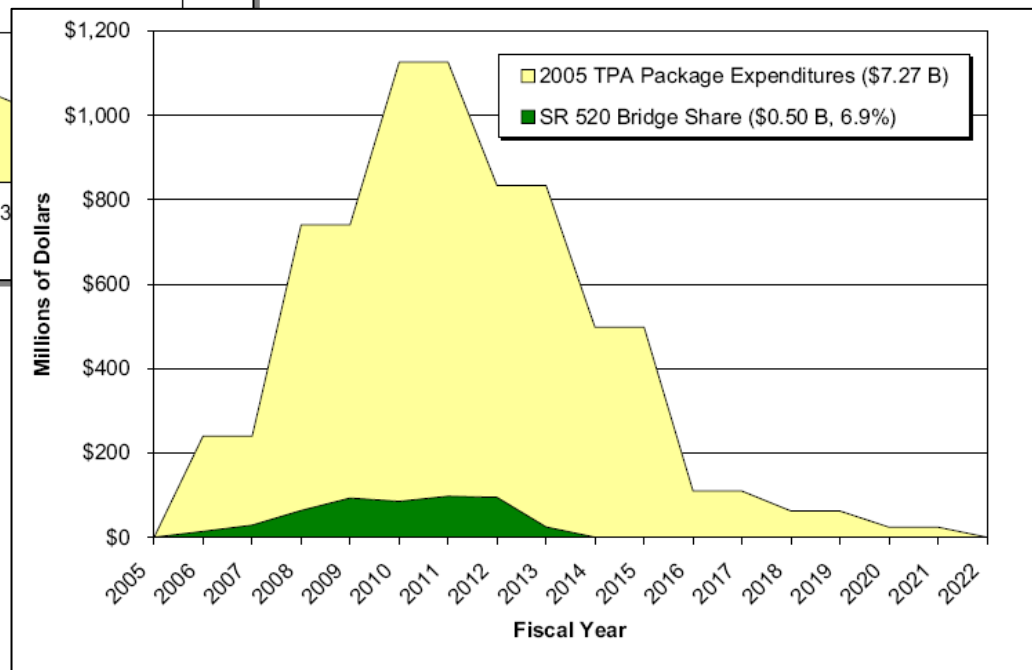
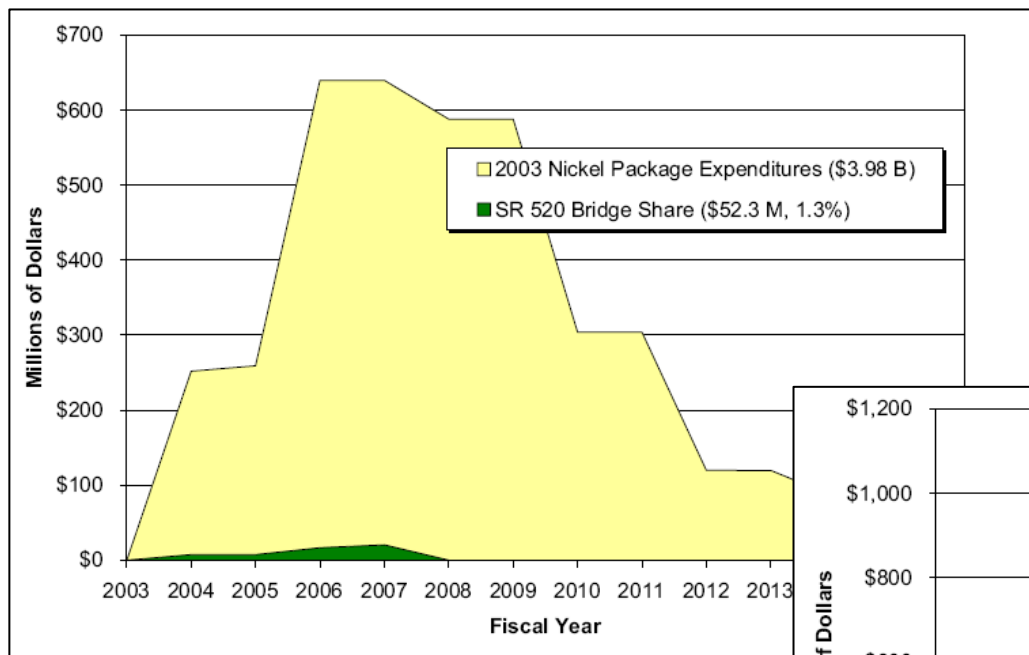
- 2005 TPA made a major contribution to project funding, indicating strong state support.
- “These are our levees. And the earthquake is our hurricane.”

– Governor Christine Gregoire -- Associated Press. 21 October 2005.





# SR 520 Funding as Proportion of TPA & Nickel Packages



# State Investment in SR 520



## SR 520 Secured Contributions

- Various “pre-existing funding”
- 2003 Nickel package
- 2005 TPA package
- Total: \$12+52+500 M= \$564 M

## SR 520 Anticipated Contributions

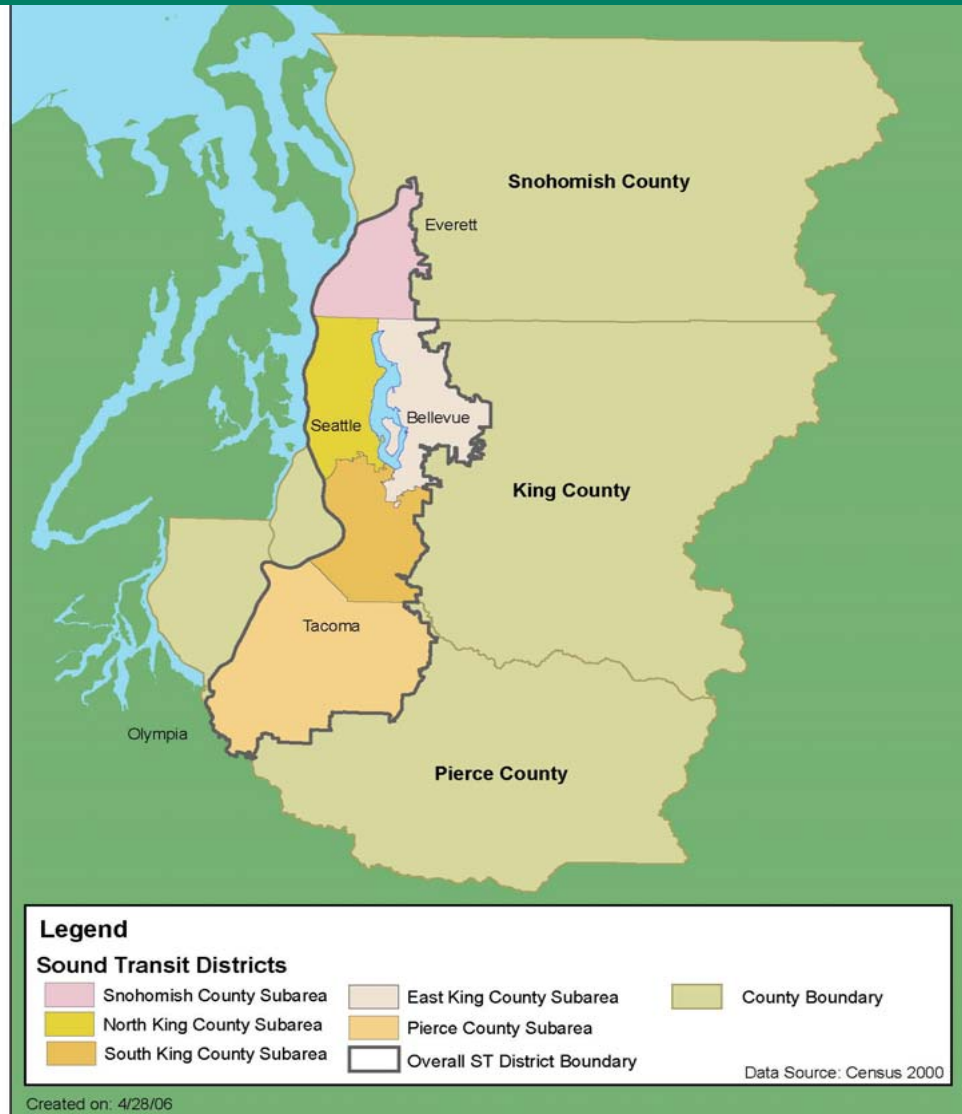
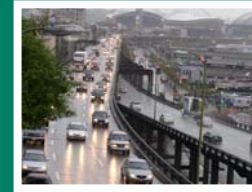
- Rebate of state sales tax on construction (see regional section)

## SR 520 Other Contributions

- Regional tolling



# Regional Funding: What Region Are We Describing?



# Regional Transportation Funding, Part One



## Transit

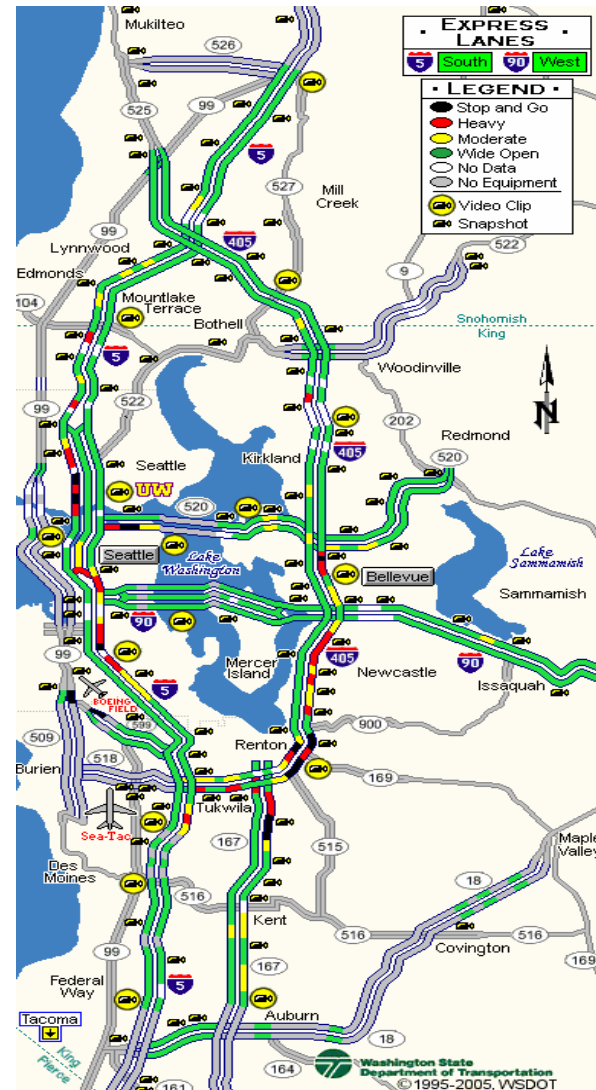
- Traditionally, regional transportation investment has focused on transit.
- Primary transit providers in King County are Sound Transit and Metro Transit.
- Sound Transit Phase 2 will go to public vote in November 2007.
- ST revenues generated in each of 5 subareas are to be spent on projects that benefit that subarea.



# Regional Transportation Funding, Part Two

## Roads

- The regionalism bill passed in 2002 allows the region to raise taxes for regionally-significant road projects. The agency is named “**RTID.**”
- RTID’s funding package may be more than \$7 billion, with as much as \$4 billion raised in King County.
- 100% of the RTID revenue “raised in a county stays in the county.”



# How will RTID pay for their list of projects?



- RTID's ballot measure will specify tax sources and associated project lists.
- Many decisions must be made by June 2007: the size of the tax district; choice of tax sources, amounts, & taxing period; choice of projects & amount per project.
- RTID and Sound Transit are required to submit a joint ballot in November 2007. The success of either is dependent on both ballot measures passing.

# What Projects Might RTID Propose?



## Summary of RTID Proposed Projects by County

County	Project / Investment	Funding (\$ millions)
King	<b>SR 99: Alaskan Way Viaduct</b>	<b>800</b>
	I-405	1330
	SR 520 Bridge	800
	I-5 Improvements & SR 509 Extension	870
	SR 167	420
	I-5 Improvements at SR 18	50
	Additional Investments & Contingency	237
	<b>Sub-Total</b>	<b>\$ 4,507</b>
Pierce	SR 167	1,000
	SR 162	180
	SR 704	210
	Additional Investments & Contingency	104
	<b>Sub-Total</b>	<b>\$ 1,494</b>
Snohomish	Highways of Statewide Significance (HSS) and related Approaches	934
	Non-HSS projects	107
	HOV and transit	168
	<b>Sub-Total</b>	<b>\$ 1,208</b>
<b>Total</b>		<b>\$ 7,209</b>



## Is the region likely to invest in the Viaduct, and if so, how?

- The Viaduct has been included on every draft RTID project list.
- Assuming the Viaduct is included in the final RTID package, it may be eligible for a state sales tax rebate.
- RTID may choose to impose tolls on the Viaduct.



## What do we know about tolling the Viaduct?

- Tolling analyses to-date are preliminary, and have focused on using tolls to manage traffic congestion.
- The DEIS does not assume the Viaduct will be tolled because there is not significant “recurring” traffic congestion and because there are options for traffic diversion.
- However, recent changes in the project, the traffic model, and our knowledge of user preferences may result in new answers. Additional work is anticipated.
- An “investment grade” traffic and revenue study would likely occur prior to completing the FHWA finance plan if RTID chooses to toll the facility.



## Regional Investment in the Viaduct

### Viaduct Secured Contributions

- PSRC grant \$1.4 million

### Viaduct Anticipated Contributions

- \$800 million RTID
- \$0- 150 million tolls
- \$0 -177 million sales tax rebate

### Viaduct Other Contributions

- None at this time

## Is the region likely to invest in SR 520?



- Every draft RTID project list has included SR 520.
- Assuming SR 520 is included in the final RTID package, it may be eligible for a state sales tax rebate.
- RTID is expected to impose tolls on SR 520.
  - Should the RTID ballot measure not pass, the state would likely impose tolls.

# What do we know about tolling SR 520?



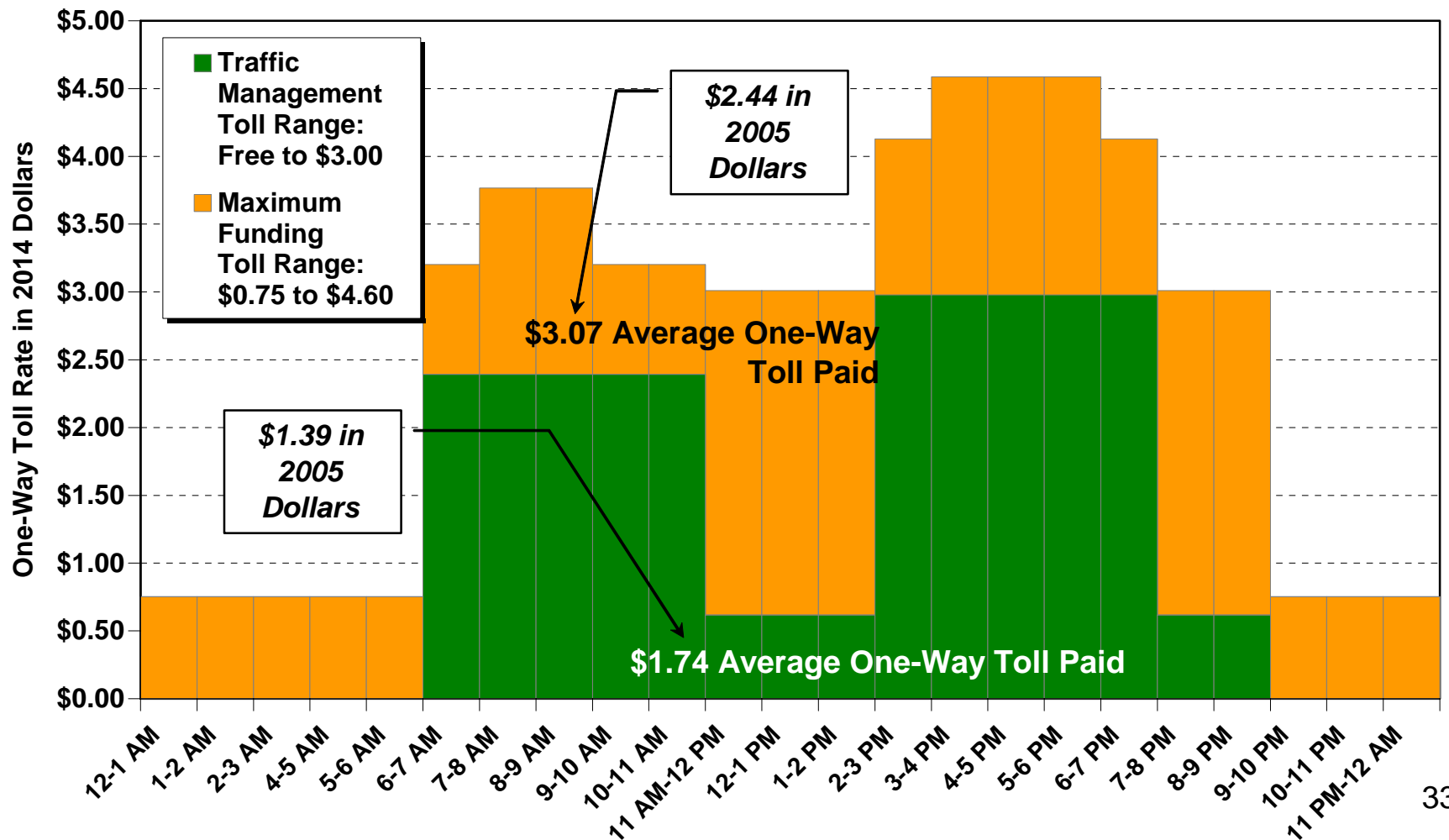
- The primary reason to toll the SR 520 bridge is to help fund the project.
- WSDOT has projected traffic and revenue, estimated the cost to operate and maintain the facility, considered the impacts tolls have on congestion on other roadways, and investigated ways to get the most capital from the net toll revenue stream.
- Results are similar for the 4- and 6-lane options.
- An “investment grade” traffic and revenue study will occur prior to completing the FHWA finance plan.



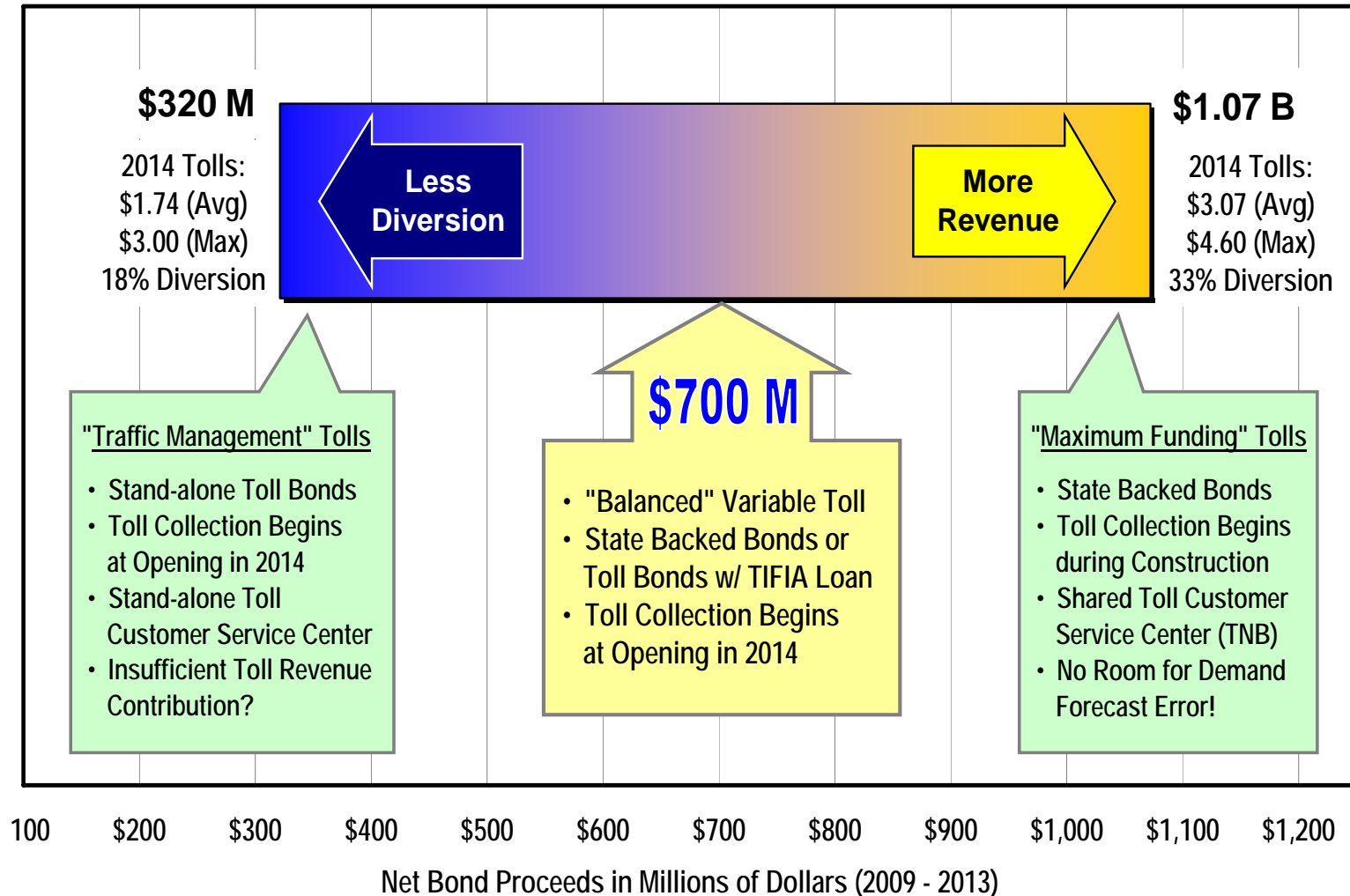
# Bookend Toll Rates Modeled in 2004 (Based on 6-Lane Alternative)



Tolls are one-way, expressed in 2014 dollars



# How Much Funding Can Tolls Contribute? (Based on 6-Lane Alternative)



# How much is the region likely to invest in SR 520?



- SR 520 is unique among potential RTID projects due to Section 7 of the 2006 regionalism legislation, which states that RTID must develop a plan that “fully funds seismic and corridor connectivity between I-5 and I-405.”
- The intent of Section 7 has yet to be determined.
- As a result, this plan assumes a range of funding from \$0 to 2.2 billion rather than the 800 million planned by RTID in January 2006.

# Regional Investment in SR 520



## SR 520 Secured Contributions

- Sound Transit
- Total: \$1.5 million

## SR 520 Anticipated Contributions

- \$800- 2.2 billion RTID
- \$700 million tolls
- \$0 -153 million sales tax rebate

## SR 520 Other Contributions

- Sound Transit

# Local Transportation Funding

- Local governments (including port districts) can access funding sources that differ from those available to the state.
- Local contributions are subject to biennial budgeting processes, city council actions, and/or the receipt of grants.



## Local Investment in the Viaduct

- The Viaduct is one of the City of Seattle's most important priorities.
  - City utilities have pledged they will pay to move utilities for the Viaduct project.
  - The City is exploring LIDs and TIFs.
  - The City is proposing an Open Space Fund.
  - The City is applying for multiple grants.
- The Port of Seattle has pledged funding to the project.



# Local Investment in the Viaduct

## Viaduct Secured Contributions

- \$15.8 million

## Viaduct Anticipated Contributions

- Utilities (based on actual cost up to \$500 million)
- LID: \$0 - 250 million\*
- Grant funding secured by City: \$0 – 20 million\*
- Seattle Open Space Fund: \$0 – 80 million\*
- Port of Seattle: \$0 – 200 million

## Viaduct Other Contributions

- Possible investment in streetcars, parks, etc.

\* Applies to the tunnel alternative only

# Local Investment in SR 520



## Secured Contributions

- City of Seattle \$0.25 million

## Anticipated Contributions

- None at this time

## Other Contributions

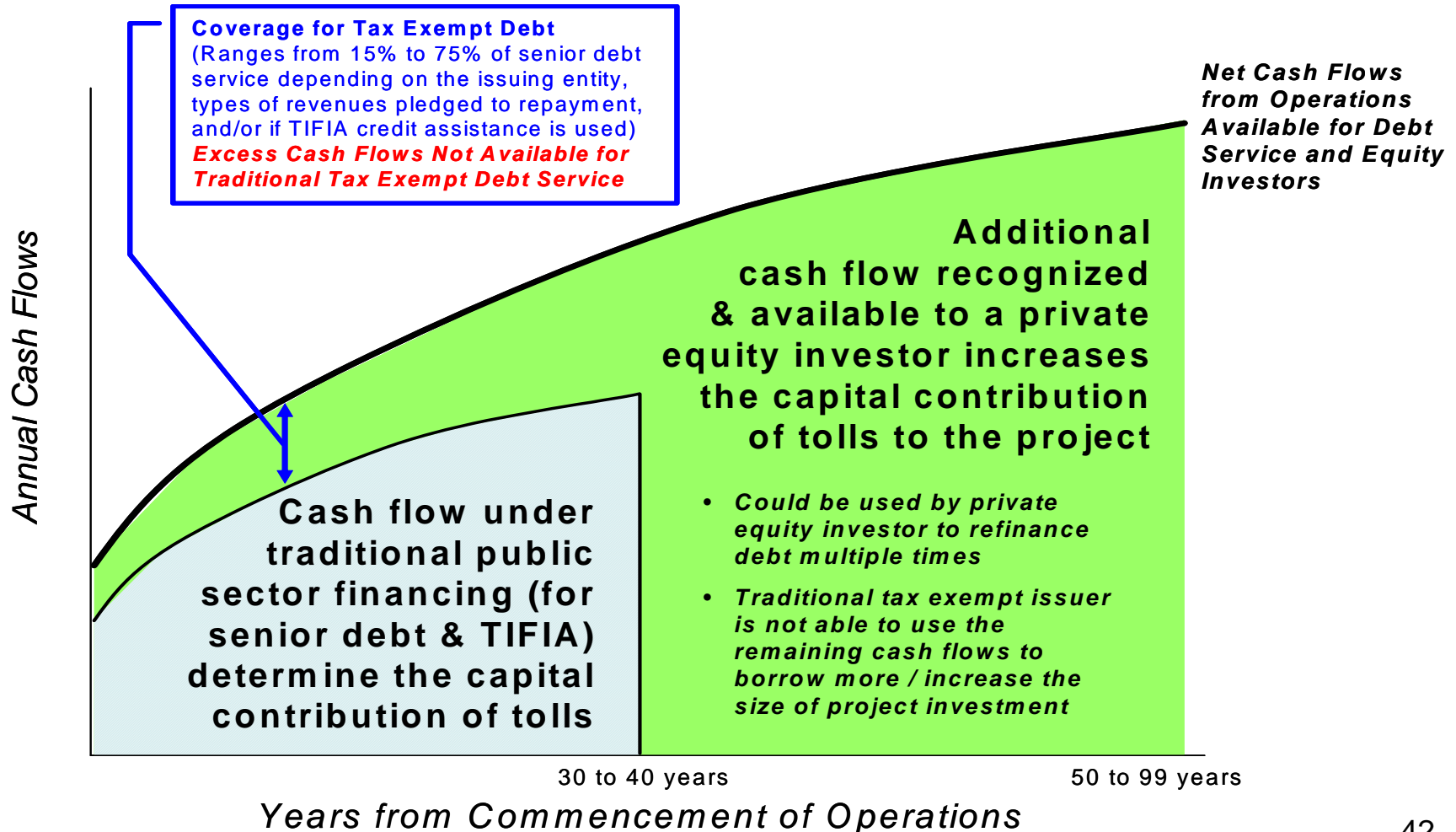
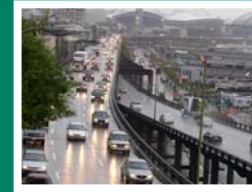
- None at this time



# What about Private Sector Participation?

- Public-Private Partnerships (PPPs)
  - 2005 Transportation Innovative Partnership Program (TIPP) allows PPP proposals in 2007
  - Typically, the reason to use these is to accelerate project delivery, impose tolls, & streamline contracting processes.
  - WSDOT has other powers to deliver many of the benefits of a PPP (design-build, fixed-price contracting, etc.)
  - However, the private sector may bring additional equity under a long term concession lease agreement.

# How Could the Private Concession Model Work?



# What about GARVEE bonds, TIFIA, or other innovative financing ideas?



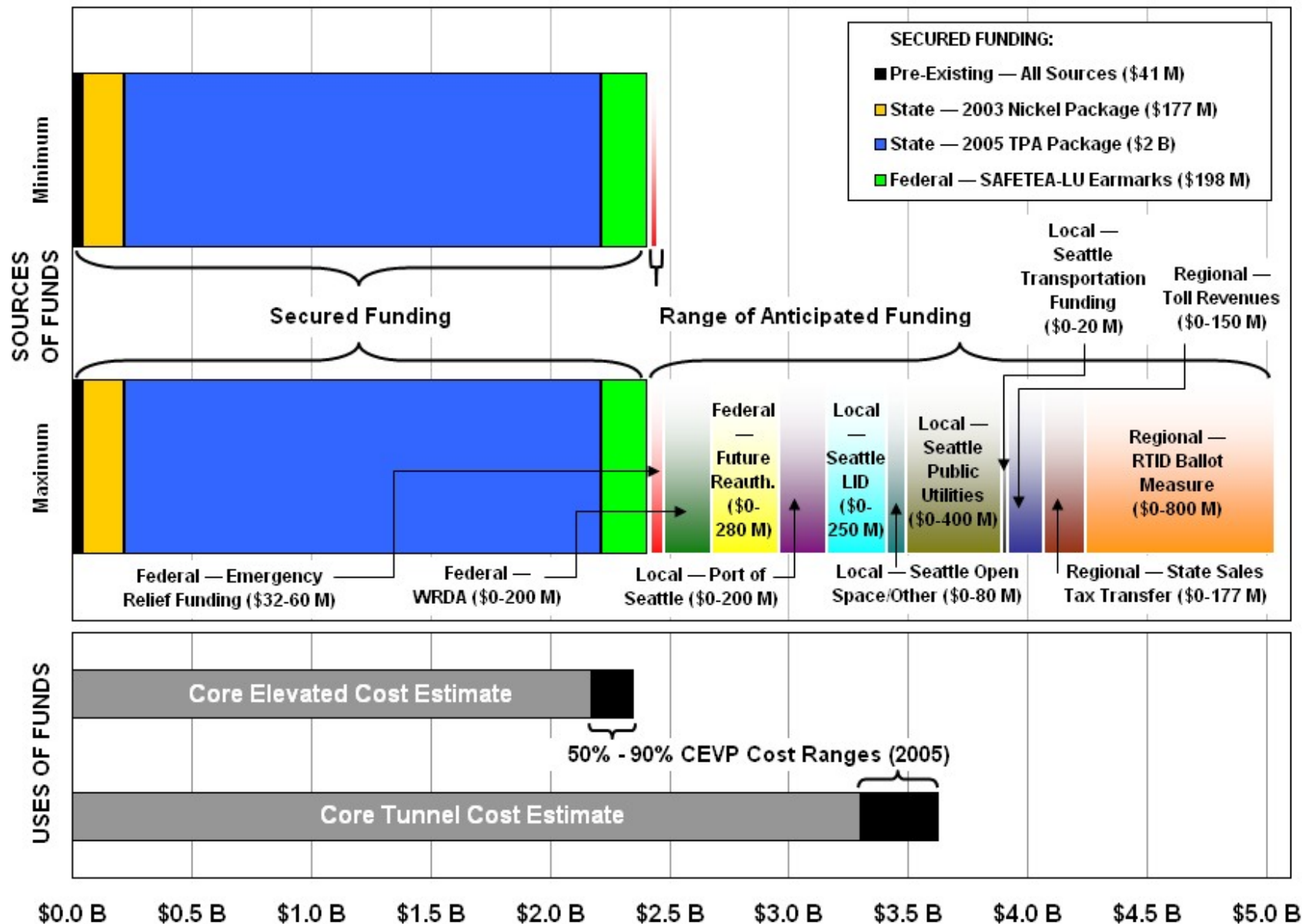
- These are financing tools, not new revenue sources.
- GARVEEs would allow the state to leverage future federal formula funding; however, the legislature has consistently programmed such funding for maintenance and preservation.
- Washington State has an excellent credit rating, so TIFIA credit assistance does not provide a significant benefit for state-issued debt.

# Are There Gaps Between the Sources and Uses of Funds?

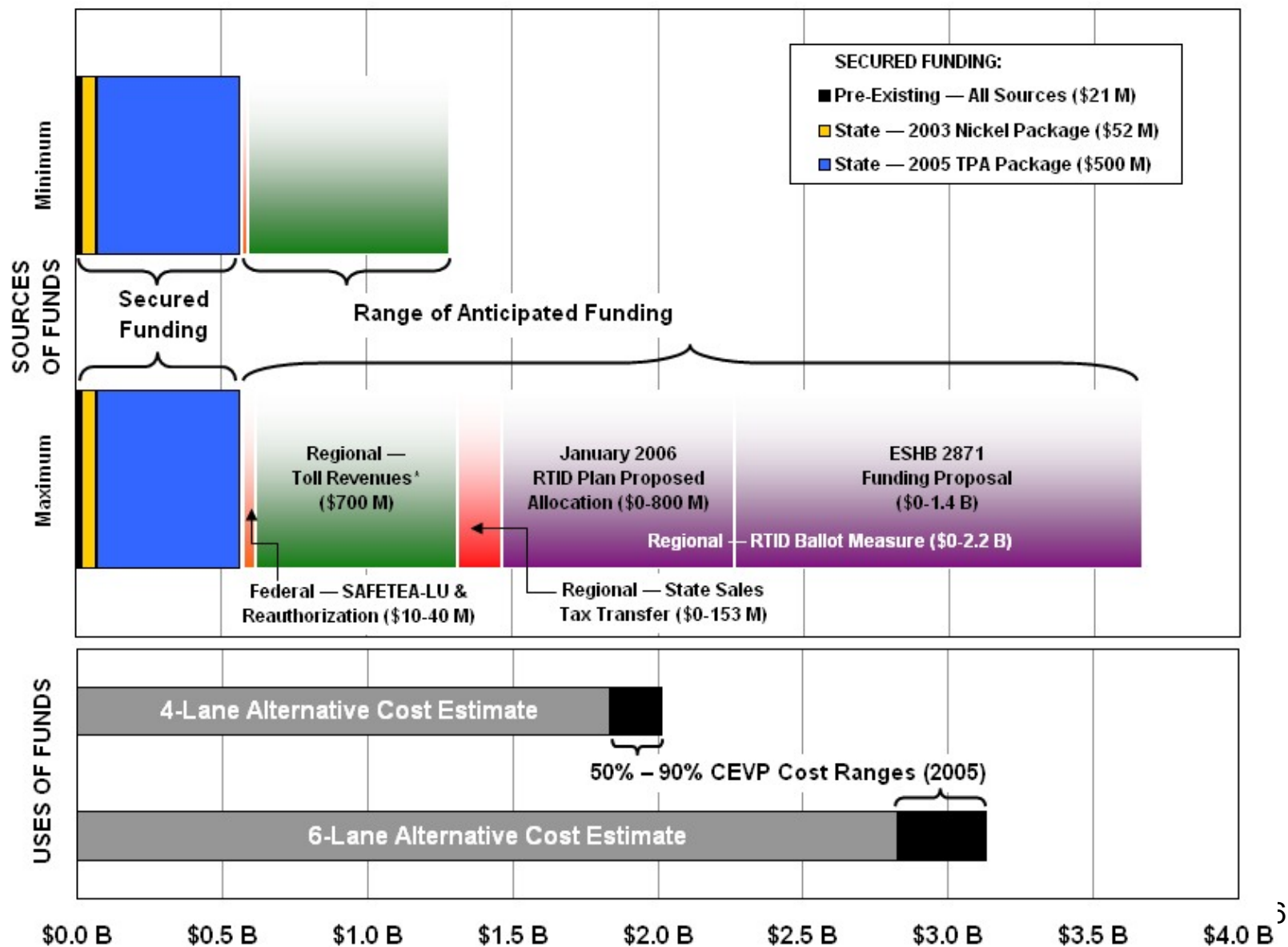


- The balance between sources and uses of funds is uncertain at this time.
- Anticipated funding represents a range of possibilities.
- The following slides compare what we know today about the potential funding sources with the 2005 CEVP project cost estimates.

# Viaduct Sources and Uses of Funds



# SR 520 Sources and Uses of Funds



<sup>\*</sup> Becomes a State source in the absence of RTID regional funding. Although actually a range of funding, it is anticipated that there a number of ways to achieve \$700 M.

# What's Next?



- Project teams will complete their respective environmental documents. This will answer questions about what and when.
- Project teams will continue to annually update costs (“uses”).
- Anticipated funding sources will become better defined.
- RTID will continue to refine their investment plan and funding.
- Tolling studies will be updated with new information.
- Projects will prepare FHWA-required finance plans.



# Questions?